

**CITY OF WAHPETON, IOWA
INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2013**

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CITY OF WAHPETON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Frank Joenks	Mayor	January 2014
Wayne Johnson	Council Member	January 2014
Tom Rierson	Council Member	January 2014
Harold Prior	Council Member	January 2014
Bradley H. Jones	Council Member	January 2017
Phil Johnson	Council Member	January 2017
Bonnie Roberts	Clerk/Treasurer	January 2014
Don Hemphill	Attorney	Indefinite

WINTHER, STAVE & CO., LLP
Certified Public Accountants

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Spencer, Iowa 51301-0175
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Officials of the City of Wahpeton, Iowa (City):

We have performed the procedures listed in the attached schedule which were agreed to by the Officials of the City of Wahpeton, Iowa (the specified parties), to the applicable financial and accounting records of the City solely to assist the City in meeting the requirements of Chapter 11 of the Code of Iowa for the year ended June 30, 2013. Management of the City is responsible for the financial and accounting records of the City. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an audit or examination, the objective of which would be the expression of an opinion on the financial and accounting records of the City. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the Officials of the City of Wahpeton, Iowa, and is not intended to be and should not be used by anyone other than these specified parties.

Winther, Stave & Co., LLP

December 23, 2013

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

GENERAL PROCEDURES	FINDINGS	RECOMMENDATIONS
A. Minutes:		
1. Read minutes for the fiscal year ended June 30, 2013.	No exceptions noted.	
2. Select four (4) meetings during the year being examined and determine whether:	No exceptions noted.	
a. Minutes were properly signed as required by Chapter 380.7 of the Code of Iowa.		
b. Meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa).	No exceptions noted.	
c. The minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.	No exceptions noted.	
d. The passage of ordinances, amendments or resolutions were by a majority vote of all the members of the City Council rather than a majority vote of a quorum of the City Council as required by Chapter 380.4 of the Code of Iowa.	No exceptions noted.	
e. Minutes document the City Council followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa).		
i. The session was closed by affirmative roll call vote.	No closed sessions were noted.	
ii. The specific exemption under Chapter 21.5 of the Code of Iowa.		
iii. Final action was taken in open session.		
f. Minutes were published (or posted) within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa and included:	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

GENERAL PROCEDURES	FINDINGS	RECOMMENDATIONS
i. Total disbursements from each fund. ii. A list of all claims allowed (including the reason for the claim). iii. A summary of all receipts. iv. A summary of ordinances or amendments adopted.	We noted i) published claims did not include total disbursements from each fund, ii) published claims did not include the reason for the claim, and iii) published minutes did not include a summary of all receipts.	We recommend the City include total disbursements from each fund, the reason for each claim and a summary of all receipts in published minutes.
B. Obtain copy of City's June 30 financial statement(s) and/or reports.	No exceptions noted.	
C. Obtain a listing of the surety bond coverage for all officials and employees required by Chapters 64.13 and 64.15 of the Code of Iowa.	No exceptions noted.	
D. Request the City Clerk complete an internal control checklist.	We noted an overall lack of adequate segregation of duties due to the small staff size.	We recommend the City Council consider additional steps which may be needed to mitigate the effects of limited number of staff.
E. Immediately contact the Manager/Partner if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager/Partner. Chapter 11.6 of the Code of Iowa requires a CPA firm and the City to notify the Auditor of State immediately regarding any suspected embezzlement, theft or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.	No such circumstances noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS PROCEDURES	FINDINGS	RECOMMENDATIONS
Procedures:		
A. Observe cash on hand, if any.	No exceptions noted.	
B. Obtain one (1) monthly Clerk's report, recalculate the report totals and trace ending fund balances to the general ledger.	No exceptions noted.	
C. Cash In Bank and Investments:		
1. Inquire whether bank reconciliations are performed monthly.	No exceptions noted.	
2. Inquire whether bank reconciliations are reviewed by an independent person.	Bank reconciliations are not reviewed by an independent person.	We recommend the monthly bank reconciliations be reviewed each month by the Mayor or a Council member.
3. Obtain bank reconciliations for two (2) months and perform the following:		
a. Agree reconciling items other than outstanding checks to supporting documentation.	No such items were noted.	
b. Recalculate the bank reconciliation(s).	No exceptions noted.	
c. Not used.		
d. Obtain a list of outstanding checks at the end of the selected month(s). Determine the list of outstanding checks includes check number, amount and date written for each listed check and the listed outstanding checks subsequently cleared the bank.	No exceptions noted.	
e. Trace reconciled balance for selected months to general ledger account balances and to monthly reports provided to the City Council.	No exceptions noted.	
4. Inquire whether the unclaimed property report per Chapter 556.1(12) of the Code of Iowa has been submitted to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

CASH AND INVESTMENTS PROCEDURES	FINDINGS	RECOMMENDATIONS
5. Obtain a copy of the current depository resolution and inquire whether the depository resolution includes all depositories used by the City and has been approved as required by Chapter 12C.2 of the Code of Iowa.	We noted the current depository resolution does not specify the maximum amount that may be kept on deposit at the depository.	We recommend the Council approve a depository resolution which specifies the maximum amount that may be kept on deposit at the depository.
6. Obtain a copy of the City's adopted written investment policy as required by the provisions of Chapter 12B.10B of the Code of Iowa.	No exceptions noted.	
7. Obtain a schedule of investment transactions and balances for the same two (2) months (selected in procedure 3 above) and trace applicable investment balances to the bank reconciliations.	No exceptions noted.	
8. Determine investments held at the end of the selected months were allowed by the City's adopted investment policy and statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

LONG-TERM DEBT PROCEDURES	FINDINGS	RECOMMENDATIONS
A. For general obligation, special assessment and revenue bonds or notes:		
1. Obtain a schedule of all bond and note payments and determine general obligation debt payments were recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.	No exceptions noted.	
2. Obtain a schedule of all bond and notes issued during the current year and documentation of procedures for bonds or notes sold during the current year as required by Chapters 75, 384 and 403.9 of the Code of Iowa.	No issuances of debt were noted.	
B. Inquire whether other long-term debt exists (lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax debt) and whether the debt is accounted for accurately.	No other long-term debt was noted.	
C. Issuance of Debt:		
1. Review authorization for any additional issuances during the year being examined.	No new issuances of debt were noted.	
2. Determine debt proceeds were properly recorded in the City's general ledger and trace proceeds to cash receipts record and bank statement.	No new issuances of debt were noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

FUND BALANCE PROCEDURES	FINDINGS	RECOMMENDATIONS
Procedures:		
A. Inquire whether the City is using fund accounting and each fund is properly classified in accordance with the Uniform Chart of Accounts.	No exceptions noted.	
B. For enterprise funds with deficit balances, inquire if there is a net earnings violation (book transfers are made to sinking accounts per the bond/note resolution, but if the operating accounts are in a deficit position, the sinking accounts are not backed by cash).	No such enterprise funds noted.	
C. Inquire whether projects are appropriately accounted for in separate capital projects accounts.	No exceptions noted.	
D. Inspect journal entries made directly to the general ledger.		
1. Select two journal entries and determine whether:		
a. The journal entries are supported by documentation.	No exceptions noted.	
b. The journal entries are approved by an independent person and there is documented evidence of the approval.	Journal entries are not approved by an independent person.	We recommend journal entries be approved by the Mayor or a Council member and that evidence of the approval be documented.
E. Annual Financial Report (AFR):		
1. Compare AFR to City's general ledger to determine if the following amounts agree. a. Beginning and ending fund balances. b. RUT transactions reported in the Special Revenue fund. c. Total receipts and disbursements.	No exceptions noted.	
F. Transfers: 1. Obtain a list of all fund transfers during the year.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

FUND BALANCE PROCEDURES	FINDINGS	RECOMMENDATIONS
2. Select two transfers and agree to supporting documentation.	We noted a \$75,000 transfer was made from the Road Use Tax Fund to the Bike Trail Project.	We recommend the City Council determine the steps necessary to document the road use funds will be used as required by Iowa Code Section 312.6.
3. Determine transfers were recorded in the general ledger in the intended fund.	No exceptions noted.	
4. Trace transfers selected in F.2. to approval in the minutes or budget, as applicable.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

RECEIPTS PROCEDURES	FINDINGS	RECOMMENDATIONS
Procedures:		
A. Inquire whether the City is using the Uniform Chart of Accounts to classify receipts in the general ledger.	No exceptions noted.	
B. For one month during the fiscal year, reconcile deposits per the bank statement to general ledger receipts and discuss with client the possibility of undeposited receipts.	No exceptions noted.	
C. Property Tax:		
1. Observe that electronic deposit of twelve monthly property tax payments during the year are listed on bank statements.	No exceptions noted.	
2. Trace one month's property tax collections to general ledger posting.	No exceptions noted.	
3. Total property tax collection for the fiscal year and compare the total to the final budget.	We noted total property tax collections for the fiscal year exceeded final budgeted amounts by \$4,352.	
D. Governmental Revenue:		
1. Obtain copy of State confirmation from the Auditor of State's Office and obtain from client a reconciliation of amounts per confirmation with the general ledger.	No exceptions noted.	
E. Enterprise Revenues (Water, Sewer, Electric, etc.):		
1. Obtain a copy of a year-end list of delinquent accounts.	No exceptions noted.	
2. Obtain a copy of one monthly reconciliation of billings and collections.	None available.	
a. If not available, compare total amounts billed per billings register to amounts deposited in the bank account in following month.	Total amounts billed per December 2012 billing register was \$2,148 less than amounts deposited in January 2013.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

RECEIPTS PROCEDURES	FINDINGS	RECOMMENDATIONS
b. If available:		
1) Agree total billings to billings register and collections to amounts deposited in the bank account.	Monthly reconciliation was not available.	
2) Not used.		
3. Obtain listing of all City officials' accounts (including the Utility Clerk's account). For Utility Clerk and one other official, trace billing from a selected month to collection/deposit in the bank account.	No exceptions noted.	
F. General:		
1. Obtain receipts detail for miscellaneous receipts during one month of fiscal year and agree to supporting documentation.	No exceptions noted.	
2. Obtain deposit tickets for one month and list the amounts of currency deposited by types of receipts received in currency.	No exceptions noted.	
G. Inquire whether local option sales tax receipts were expended as required by local ballot provisions. Obtain a copy of the ballot authorizing the local option tax.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

DISBURSEMENTS PROCEDURES	FINDINGS	RECOMMENDATIONS
Procedures:		
A. Obtain a schedule of all related party transactions with officials or employees and inquire whether transactions were entered into in compliance with Chapter 362.5 of the Code of Iowa.	No exceptions noted.	
B. Obtain disbursement journal or detail for miscellaneous disbursements during one month of fiscal year and agree to supporting documentation.	No exceptions noted.	
C. From a list of all cancelled checks/images:		
1. Request a list of all checks to City personnel (non-payroll), occasional or one-time vendors, and "Cash", and inspect checks payable to the City Clerk and other personnel authorized to issue/sign checks.	No exceptions noted.	
a. Total amount and frequency of inspected checks.	We noted 16 such checks, totaling \$1,974.	
b. Trace inspected checks to supporting documentation.	No exceptions noted.	
2. Select five (5) consecutive checks from alternating months and agree:		
a. The disbursement to supporting documentation.	No exceptions noted.	
b. The amount and payee on the check to the general ledger posting.	No exceptions noted.	
c. Disbursement to authorization by the City Council.	No exceptions noted.	
d. Credit card transactions to approval and supporting documentation.	No such transactions were noted.	
e. The disbursement to documentation as to how the expenditure meets the test of public purpose, if any.	No disbursements requiring specific documentation of public purpose were noted.	
D. Inspect all bank statements for erasures/alterations.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

DISBURSEMENTS PROCEDURES	FINDINGS	RECOMMENDATIONS
E. If canceled checks are not received with bank statements, determine whether both the front and back of electronic check images are received as required by Chapter 554D.114(5) of the Code of Iowa.	We noted electronic check images are received, but do not include the back of the checks.	We recommend the City request that check images received include the backs of the checks.
F. Inquire whether the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor as required by Chapter 423.3(80)(b) of the Code of Iowa.	We were informed the City has issued exemption certificates, when applicable.	
G. Obtain a schedule of disbursements by function and compare with the budget or amended budget.	No exceptions noted.	

CITY OF WAHPETON, IOWA
 AGREED-UPON PROCEDURES PERFORMED
 FOR THE YEAR ENDED JUNE 30, 2013

PAYROLL PROCEDURES	FINDINGS	RECOMMENDATIONS
Procedures:		
A. Select five (5) payroll transactions from throughout the year to determine:		
1. Authorization for gross pay or hourly rate by City Council.	No exceptions noted.	
2. Approval of hours worked is documented.	We noted approval of hours worked is not documented.	We recommend approval of hours worked be documented.
3. The number of hours paid per the payroll journal agrees to hours worked per approved timesheets (for hourly employees).	No exceptions noted.	
B. City Clerk and/or Payroll Clerk Pay:		
1. If salaried, reconcile the approved salary for the City Clerk and payroll clerk to the City Council approved salary.	No exceptions noted.	
2. If hourly, test one selected paycheck each for the City Clerk and payroll clerk to determine the hourly rate paid agrees to the Council approved hourly rate.	Combined position is salaried.	
C. Obtain documentation showing wage increases are approved by the city Council as an hourly rate or salary and not just a percentage increase.	No exceptions noted.	
D. Inspect copies of Forms 941, W-2, and 1099 filed with the IRS.	No exceptions noted.	